

Message Text

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

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FOLLOWING REPEAT SECSTATE 245948 ACTION GENEVA DATED 16 OCT 75
QUOTE

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E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: FURTHER GUIDANCE FOR U.S. DELEGATION ON
RENEGOTIATION OF COCOA AGREEMENT

REF: (A) STATE 225079; (B) GENEVA 7842

FOR USDEL TO COCOA AGREEMENT

1. YOU SHOULD COMMENT ON THE EC PROPOSAL DESCRIBED IN
REF (B) BY SAYING THAT ALTHOUGH WE WELCOME THE ATTEMPT TO
UTILIZE SOME FEATURES OF OUR OWN PROPOSALS, WE BELIEVE THE
EC APPROACH INADEQUATE IN MANY IMPORTANT RESPECTS. WITHIN
THE FRAMEWORK OF PREVIOUS INSTRUCTIONS YOU SHOULD POINT
OUT THAT BY MAINTAINING A QUOTA AND THUS A CONTROL
SYSTEM, THE PROPOSAL ESTABLISHES AN UNNECESSARY ENCUM-
BRANCE ON THE COCOA MARKET WITHOUT COMPENSATORY BENEFITS
IN TERMS OF PRICE STABILIZATION. FURTHER, WE SEE NO
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MARKET LOGIC IN FIXING QUOTAS AT 100 PERCENT AT 40 CENTS

WPTH THE BUFFER STOCK BUYING UP TO 2.5 PERCENT OF THIS QUOTA AT THE FULL PRICE WHEN THE MARKET DROPS BELOW THIS POINT. THIS MECHANISM IS ARBITRARY, CUMBERSOME AND OF UNCERTAIN EFFECT ON THE MARKET, WHEREAS A BUFFER STOCK

WOULD PERMIT MORE FLEXIBLE ADJUSTMENT TO MARKET CONDITIONS.

2. YOU SHOULD STATE, THEREFORE, THAT WE SEE FEW REDEEMING FEATURES IN THE EC PROPOSAL, WHICH WOULD HAVE MAXIMUM DISRUPTIVE EFFECTS AND MINIMUM PRICE EFFECTS.

3. IN EXPANDING ON THE U.S. CONCEPTION OF A BUFFER STOCK, YOU MAY WISH TO SUGGEST THAT FROM A MINIMUM PRICE X TO X PLUS 2 CENTS, BUFFER STOCK ACQUISITIONS WOULD BE MANDATORY WHILE FROM X PLUS 2 CENTS TO X PLUS 5 CENTS STOCK PURCHASES WOULD BE OPTIONAL. THE OPERATIONS WOULD BE SYMMETRICAL IN THE UPPER PORTION OF THE RANGE. SUCH A SYSTEM WOULD BE MORE FLEXIBLE THAN THAT PROPOSED BY THE EC. YOU MAY ADD THAT SINCE THE EC PROPOSAL IS ESSENTIALLY A RESTRICTION ON THE TIMING AND EXTENT OF BUFFER STOCK OPERATIONS, ITS PROVISIONS FOR QUOTAS ARE UNNECESSARY.

4. WITH REGARD TO PRICES YOU SHOULD POINT OUT THAT THE PRICE RANGE SUGGESTED BY THE EC IS TOO NARROW AND SHOULD BE EXPANDED AT BOTH ENDS TO REACH 20 CENTS. YOU SHOULD ADD THAT THE VARIOUS PRICE PROPOSALS HAVE ALREADY GONE TOO HIGH AND THAT THE OPERATIVE POINT OF 40 CENTS IN THE EC PROPOSAL IS ALMOST TWICE THE MINIMUM PRICE IN THE FIRST AGREEMENT.

5. IF IT APPEARS U.S. SUGGESTIONS WILL NOT BE INCORPORATED IN A FINAL DRAFT AGREEMENT, YOU MAY WHEN YOU CONSIDER IT USEFUL PROPOSE THAT PRESENT AGREEMENT CONTINUE FOR ANOTHER YEAR TO PERMIT NEGOTIATIONS TO CONTINUE FOR NEW IMPROVED AGREEMENT. IF THE QUESTION OF U.S. ADHERENCE ARISES, SAY THAT DELEGATION UNABLE COMMIT USG BUT THAT

THROUGH FURTHER NEGOTIATIONS WOULD BE A POSITIVE FACTOR IN U.S. CONSIDERATION OF ADHERENCE TO A COCOA AGREEMENT LIMITED OFFICIAL USE

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